Advice-Only Planning vs. Commission-Based Advice: Which Fee Structure Fits Your Practice?

When financial planners sit down to design their practice model, one of the first decisions they face is how they will be paid. The choice between an advice-only structure and a commission-based one shapes everything from the clients you attract to the way you spend your working day. It influences the depth of the advice you can give, the trust clients place in you, and the long-term viability of your business. This article compares these two approaches side by side, looking at what each offers and who each suits best.

What is advice-only planning?

Advice-only planning means the client pays a transparent fee for the planner's time and expertise, and no products are sold. There are no commissions, no trails, and no hidden incentives tied to specific investments or insurance policies. The fee might be a flat project fee, an hourly rate, or a retainer, but the key point is that the planner's income comes solely from the client, not from third-party providers.

This model is sometimes called fee-only or pure advice, though the term "advice-only planning" is becoming more common as practitioners emphasize that the value lies in the counsel, not in product placement. For the client, it means the planner has no financial reason to recommend one product over another. For the planner, it means the business model is built on the quality of the advice itself.

What is commission-based advice?

Commission-based advice, by contrast, involves the planner being paid by product providers when a client buys a financial product such as a mutual fund, insurance policy, or annuity. The client may pay little or no upfront fee, but the planner receives a percentage of the product's value, either as a lump sum or as ongoing trailing commissions.

This model has been the traditional backbone of the financial services industry. It allows planners to serve clients who may not have the cash to pay an upfront fee, and it can make advice accessible to a wider range of households. The trade-off is that the planner's income is tied to product sales, which can create a conflict of interest, even if unintentional.

Comparing the two on key dimensions

To understand which model might suit you better, it helps to look at several aspects of practice life side by side.

Client engagement and trust

In advice-only planning, the engagement is straightforward: the client pays for your time and expertise, and you deliver a plan or ongoing guidance. There is no product to pitch, so the conversation stays focused on the client's goals, risk tolerance, and financial situation. Many clients find this clarity reassuring. They know you are working for them, not for a product issuer.

Commission-based planners often build strong, long-term relationships too, but the trust dynamic is different. A client may wonder whether a recommendation is truly the best option or simply the one that pays the highest commission. Even the most ethical planner can face skepticism. Planners in this model often spend time explaining how they are compensated and why it does not affect their advice.

Fee structure and income predictability

Advice-only planners typically charge fees that are agreed upon in advance. A comprehensive financial plan might cost a set amount, while ongoing retainer fees provide a predictable monthly or quarterly income. This predictability makes it easier to run a practice, hire staff, and plan for growth. However, it also means the planner must sell the value of advice itself, which can be a challenge when clients are used to "free" initial meetings.

Commission-based income is less predictable. A planner might go months without a large sale, then close a few big policies and see a spike in income. This variability can be stressful, but it also offers the potential for high earnings if the planner is good at closing sales. The income stream often includes trailing commissions, which can build a steady base over time as the client base grows.

Service scope and depth

Advice-only planners often provide a broader scope of advice because they are not limited to products that pay commissions. They can spend time on topics like cash flow management, debt reduction, tax planning, estate planning, and behavioral coaching. The plan may include product recommendations, but the planner does not need to sell them to earn a living.

Commission-based planners, by necessity, focus on products that generate income. This can mean the advice is narrower, centered on investments, insurance, and annuities. Some planners in this model do provide holistic advice as a way to build trust and uncover product needs, but the product sale remains the economic engine of the practice.

Value proposition and client perception

The value proposition of advice-only planning is clarity and alignment. The client pays for advice, and the planner's only incentive is to deliver excellent advice. This message resonates strongly with clients who have had bad experiences with product-pushing salespeople, and with those who want a fiduciary relationship.

Commission-based planners often argue that their model makes advice accessible to people who could not afford an upfront fee. They also point out that many products, especially insurance, require a sales process because people do not voluntarily buy them. The value proposition here is convenience and access: the client gets advice and products in one place, often with no direct out-of-pocket cost.

Who each model suits

Advice-only planning tends to suit planners who enjoy deep analytical work, who want to avoid the pressure of sales targets, and who prefer building a practice based on reputation and referrals rather than cold calling. It also suits clients who are financially literate enough to pay a fee and who value objectivity over product access.

Commission-based advice tends to suit planners who are comfortable with sales, who enjoy working with a broader demographic, and who want the potential for higher, less predictable income. It suits clients who prefer to pay for advice indirectly through product costs, or who cannot afford a large upfront fee.

There is a middle ground, of course. Some planners use a hybrid model, charging a reduced fee plus commissions on products they recommend. This can give clients the best of both worlds, but it also introduces the same conflict of interest as pure commission-based advice, albeit diluted.

Practical considerations for starting or transitioning

If you are building a practice from scratch, the advice-only model requires you to be comfortable charging for your time and expertise. You will need to develop a clear fee schedule, a robust client agreement, and a process for delivering value that clients can see. You will also need to market yourself differently, focusing on the value of advice rather than the promise of free initial meetings.

Commission-based practices are often easier to start because product providers offer training, leads, and sometimes even office space. The downside is that you are tied to those providers, and your income depends on their products. If you want to leave a commission-based model later, you may face challenges such as losing trailing commissions or having to rebuild your client base.

Many planners find that the advice-only model aligns better with their personal values, especially if they entered the profession to help people rather than to sell products. But the transition can be difficult if you have built a book of business on commissions. Some planners move gradually, starting a separate fee-only arm of their practice and shifting clients over time.

The industry itself is evolving. Regulators in several countries are tightening rules around commission disclosure and pushing toward a fiduciary standard. At the same time, consumer awareness of conflicts of interest is growing. These trends suggest that advice-only planning will become more common, but commission-based advice will likely remain a significant part of the market for years to come.

For those exploring how to set up an advice-only practice, the community around the GitHub discussions forum has been a valuable resource. Practitioners share their experiences with fee structures, client engagement strategies, and the operational realities of running a pure-advice firm. The conversations there cover everything from initial client meetings to ongoing service models, and they provide a real-world look at what works and what doesn't.

Making your choice

There is no single right answer. The best model for you depends on your personality, your financial goals, and the type of clients you want to serve. If you value independence, transparency, and a deep relationship with a smaller number of clients, advice-only planning may be a strong fit. If you prefer a more structured environment with product support and a wider client base, commission-based advice could serve you well.

Whichever path you choose, the most important thing is to be clear with clients about how you are paid and to deliver advice that is in their best interest. Trust is the foundation of any financial planning relationship, and no fee structure can replace it.